3 Stocks to Sell in June

Description

Knowing which stocks to buy can make you rich. Knowing which stocks to sell can do the same.

Take **Fairfax Financial Holdings** (TSX:FFH), for example. This is a classic millionaire-maker stock, not because it outperformed during bull markets, but rather it avoided losses during times of turmoil. During the 2008 and 2009 financial crisis, the stock actually *gained* in value.

Fairfax's outperformance is a direct result of CEO Prem Watsa's ability to sell high during periods of exuberance. With stock markets hitting all-time highs, knowing which stocks to sell has never been more critical for your portfolio.

If you purchased these three stocks, rethink your ownership immediately. Even if the following stocks aren't in your portfolio, understanding why they're overpriced is important, as other stocks you may own will likely be affected.

Laurentian Bank of Canada

Laurentian Bank (TSX:LB) has had a difficult time. Over the last five years, shares have dropped by roughly 10%. Nearly all of its competitors have seen their share prices rise. **Royal Bank of Canada** shares, for example, are up nearly 40% over the same period.

Long term, results are no different. Since 1995, owning Laurentian stock would have given you a 190% return. Owning Royal Bank of Canada would have generated a whopping return of 1,460%!

If you think this is the time to buy low, think again.

Steven Eisman, one of the most successful short-sellers in recent memory, thinks Canadian banks are set to drop. "They'll go lower," Eisman said. "How much lower? We'll see. Twenty percent plus. That's about as much as I'll bet at this point."

Many investors think Laurentian stock is a safe place to hide if a recession hits. If Eisman's models become realty, that couldn't be further from the truth.

Park Lawn

After tripling in value over the last five years, owners of **Park Lawn** (TSX:PLC) stock are likely fairly pleased. That could change this year.

Park Lawn is the largest publicly traded funeral, cremation, and cemetery provider in Canada. In 2013, it owned just six properties located in Toronto. Today, it's an $850 million enterprise with properties throughout North America.

This business has proved well run and profitable for shareholders. It's also incredibly recession resistant. The problem is simply that the stock price is wildly expensive compared to its prospects.

Currently, shares trade at five times sales, nearly twice their five-year average. Shares also trade at 25 times EV to EBITDA and an astounding 80 times trailing earnings.

Considering analysts expect the company to grow earnings at just 1% annually over the next few years, the stock is too pricey. That's a problem many stocks have these days — great businesses, but pricey shares.

Shopify

Shopify (TSX:SHOP)(NYSE:SHOP) is another example of a great business that's overpriced.

Shares are now above $400, resulting in a $45 billion market cap. It's hard to justify that price tag.

Sure, the company is growing sales at breakneck speeds, but rising competition could make it difficult to generate any meaningful profits. This year, **Microsoft**, **Facebook**, and **Square** all indicated that they would moving to compete directly with Shopify.

For years, Shopify had the market to itself. That changed in 2019.

Shopify is big at $45 billion, but the three companies above have a combined market cap of roughly $2 trillion. That may be far too much for the company to fend off.

CATEGORY

1. Bank Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:FFH (Fairfax Financial Holdings Limited)
3. TSX:LB (Laurentian Bank of Canada)
4. TSX:PLC (Park Lawn Corporation)

5. TSX:SHOP (Shopify Inc.)

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